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FARM-MORTGAGE LENDING EXPERIENCE OF SIXTEEN LIFE INSURANCE COMPANIES, THE FEDERAL LAND BANKS, AND THE FARMERS HOME ADMINISTRATION, JULY THROUGH SEPTEMBER 1957 1/

Prepared in the Farm Economics Research Division

Farm-mortgage lending activity continued to slacken in the third quarter of 1957, and loan acquirements of life insurance companies and the Federal land banks were well below the same period in 1956. Only in the case of the Farmers Home Administration was there an increase. (See tables 1-11.)

Interest rates on farm mortgages continued to rise in the last half of 1957. Since July 1, 11 of the 12 Federal land banks have announced higher rates. On December 1, 3 land banks - Springfield, Mass., Baltimore, Md., and Columbia, S. C. - were charging 6 percent and 9 banks had rates of 5-1/2 percent. Rates of life insurance companies also rose; generally minimum rates are now 5-1/2 percent and a 6-percent rate is found frequently. Some further increases in interest rates may occur for lenders who have lagged behind the rises of the last year. However, if the recent reduction in the rediscount rate by the Federal Reserve banks indicates an easier credit policy, the bulk of the increases in interest rates by major farm-mortgage lenders may have occurred already.

Sixteen life insurance companies showed a 1.1-percent rise during the quarter in amount of farm mortgages held. At the end of the quarter, they held 188,000 farm mortgages with outstanding principal of $2,280 million. Only 98 mortgages were in process of foreclosure and only 423 others had interest overdue more than 3 months.

Loan commitments continued to decline during the third quarter; the number was 19 percent below the same quarter in 1956, and the amount was 11 percent less although the average size was 6 percent higher. In the first 9 months of 1957, the 16 companies actually acquired 25 percent fewer mortgages than in the same period of 1956. Although the average size of mortgage acquired rose from $15,150 to $16,160, the total principal indebtedness of mortgages acquired declined by about a fifth.

1/ This report is prepared from data furnished by the Farm Credit Administration, the Farmers Home Administration, and 16 life insurance companies. On January 1, 1957, these 16 companies held about 89 percent of the amount of farm mortgages held by all life insurance companies.

In the third quarter of 1957, principal repayments were slightly below the first 9 months of 1956. The decline in the amount of repayments was less than 1 percent, but repayments as a percentage of principal outstanding at the beginning of the year fell from 8.9 to 8.1 percent.

In 1957, the purposes of farm-mortgage loans changed. In each quarter, a larger proportion was used for the purchase of real estate than was the case in the same quarter of 1956. Some increase in the proportion used for refinancing debts was noted in the third quarter of 1957, but in the first 2 quarters, refinancing of debts accounted for a smaller share than in 1956.

The Federal land banks closed only 8,400 loans in the third quarter of 1957. This was 30 percent less than in the same quarter of 1956. The average size of loan closed was only $8,790, slightly below the same period in 1956, and the amount closed was 31 percent less. On September 30, 1957, the land banks held 365,000 mortgages with a principal indebtedness of $1,896 million. The average size was $5,200, which compares with $12,130 for the 16 life insurance companies. The number of loans held on September 30 was 2 percent above that of a year earlier, and the amount of principal indebtedness outstanding was 12 percent higher.

In the first 9 months of 1957, the Federal land banks closed only 34,000 loans - about 23 percent less than in the same quarter of 1956. The amount loaned declined by 21 percent, although for the entire period the average size of loan was 3 percent higher than in the same period in 1956.

The decline in loans closed by the Federal land banks continued in October. In that month, the number closed was 34 percent less than in October 1956; the amount of new money loaned was down 32 percent.

The Farmers Home Administration in the third quarter of 1957 continued to increase sharply its direct farm-ownership loans. The number of loans acquired in the third quarter was 993 - about 3 times as many as in the same period in 1956. The amount of loans made was also about 3 times as high, and a small increase was noted in the average size of loan. There was also a rise of 41 percent from the third quarter of 1956 in the number of loan commitments made.

About 35 percent of the funds committed in the third quarter of 1957 was to be used to refinance debts. This is a sharp increase from the same period in 1956; it reflects the broadened authority in making these loans given the agency by P.L. 878, which was approved August 1, 1956. Another reason for the increase in loan acquirements in 1957 was an increase in appropriations. The appropriations for direct farm-ownership loans were increased from $19 million in the year ending June 30, 1956, to $50 million for the year ending June 30, 1957. For the current year ending June 30, 1958, the appropriation is $24 million.

Total farm-mortgage debt of all lenders on January 1, 1958, is expected to be about $10.6 billion, or possibly a little less. This compares with $9.9 billion at the beginning of 1957. The outlook is for a further increase in farm-mortgage debt in 1958, but the increase is expected to be at a slower rate than in recent years.

Table 1.- Life insurance companies: Farm-mortgage-loan experience, 16 companies, United States, third quarter, July 1 through September 30, 1957

Item	Loans	Principal indebtedness	
		Total	Average
	Number	1,000 dollars	Dollars
Farm mortgages owned June 30, 1957	1/ 187,420	2,255,562	12,030
Farm mortgages acquired	2,935	2/ 55,142	3/ 16,360
Increase in principal indebtedness of farm mortgages already owned	4/	3/ 6,174	4/
Payments on principal of farm mortgages:			
Farm mortgages paid in full	2,398	5/ 19,453	6/ 6,790
Payments on principal of other farm mortgages	4/	6/ 17,167	4/
Mortgages on farm properties acquired by foreclosure and voluntary conveyance	1	24	24,000
Farm mortgages owned September 30, 1957	187,955	2,280,234	12,130
In process of foreclosure	98	1,316	13,430
Farm-mortgage-loan commitments	7/ 4,151	89,745	7/ 19,880

1/ Revised.
2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.
3/ 14-company data. Excludes 2 companies not separating principal of farm mortgages acquired and increase in principal of mortgages already owned.
4/ Not available.
5/ Includes principal payments on farm mortgages not paid in full for 2 companies.
6/ 14-company data. Excludes 2 companies not separating principal payments on mortgages paid in full from payments on other mortgages not paid in full.
7/ 15-company data. Excludes 1 company not reporting number of loan commitments.

Table 2.- Life insurance companies: Status of farm mortgages owned, 16 companies, United States, September 30, 1957

Item	Mortgage loans		Principal indebtedness	
	Number	Percent	1,000 dollars	Percent
Interest overdue more than 3 months	423	0.2	6,193	0.3
In process of foreclosure or voluntary conveyance	98	.1	1,316	.1
Not in process of foreclosure or voluntary conveyance and with interest not overdue more than 3 months	187,434	99.7	2,272,725	99.6
Total	187,955	100.0	2,280,234	100.0

Table 3.- Life insurance companies: Purposes of farm-mortgage-loan commitments, 12 companies, United States, by quarters, July 1, 1956, through September 30, 1957

Item	1956		1957		
	3d quarter	4th quarter	1st quarter	2d quarter	3d quarter
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Amount of commitments	49,257	69,780	58,013	43,311	50,775
	Percent	Percent	Percent	Percent	Percent
Percentage of total funds committed for:					
Purchase of real estate	39.3	40.3	37.4	34.6	43.2
Refinancing of-					
Farm real estate mortgages held by-					
Own company	1/ 12.2	1/ 10.6	1/ 12.5	1/ 12.6	1/ 11.9
Others	1/ 15.8	1/ 16.8	1/ 17.3	1/ 21.2	1/ 16.4
Total	28.0	27.4	29.8	33.8	28.3
Other indebtedness	11.5	14.4	13.8	12.2	12.9
Total refinancing	39.5	41.8	43.6	46.0	41.2
Repairs and improvements to land and buildings	11.4	8.7	8.3	8.4	6.0
Other purposes	9.3	9.0	10.6	10.8	9.5
Unknown purposes	.5	.2	.1	.2	.1
All purposes	100.0	100.0	100.0	100.0	100.0

1/ Distribution of refinancing of real estate mortgages held by own company and by others estimated for 2 of the 12 companies.

Table 4.- Federal land banks: Farm-mortgage loans, United States, third quarter, July 1 through September 30, 1957 1/

Item	Loans	Principal indebtedness	
		Total	Average
	Number	1,000 dollars	Dollars
Loans outstanding, July 1, 1957 2/	364,447	1,867,395	5,120
Loans closed 3/	8,359	73,437	8,790
Decrease in loans (net)	8,289	44,592	5,380
Loans outstanding, September 30, 1957 2/	364,517	1,896,240	5,200

1/ Includes Puerto Rico.
2/ Excludes purchase-money mortgages, sales contracts, and so on, and loans called for foreclosure.
3/ Gross number and amount of all loans closed, including new loans which replaced old loans and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration, Accounting and Budget Division.

Table 5.- Farmers Home Administration: Direct farm-ownership loans, United States, third quarter, July 1 through September 30, 1957 1/

Loan experience	Loans	Principal indebtedness	
		Total	Average
	Number	1,000 dollars	Dollars
Farm mortgages owned June 30, 1957	30,476	208,744	6,850
Farm mortgages acquired	993	13,617	13,710
Increase in principal of farm mortgages already owned	2/	537	2/
Farm mortgages paid in full	271	987	3,640
Payments on principal of other farm mortgages	2/	1,208	2/
Mortgages on farm properties acquired by foreclosure and voluntary conveyance	100	443	4,430
Farm mortgages owned September 30, 1957	31,098	220,260	7,080
Behind schedule in regard to amortization payments	3,710	26,278	7,080
In process of foreclosure	91	841	9,240
Total farm-mortgage-loan commitments 3/	490	6,513	13,290

Planned use of loan funds committed during quarter	Percent
Purchase of farm real estate	48
Refinancing of farm real estate mortgages held by:	
Farmers Home Administration	0
Others	35
Refinancing of other indebtedness	0
Repairs and improvements to land and buildings	17
Other known purposes	0
Unknown purposes	0
Total	100

1/ Continental United States only.
2/ Not available.
3/ Initial loans obligated third quarter, 1957.

Farmers Home Administration.

Table 6.- Federal land banks: Farm-mortgage-loan experience, United States, third quarter, July 1 through September 30, 1956 and 1957 1/

Item	1956	1957	Percentage change, 1956-57
			Percent
Loans outstanding September 30: 2/			
Number	358,269	364,517	1.7
Principal indebtedness:			
Total----------1,000 dollars----------	1,689,186	1,896,240	12.3
Average----------dollars----------	4,710	5,200	10.4
Loans closed during third quarter: 3/			
Number	11,910	8,359	-29.8
Principal indebtedness:			
Total----------1,000 dollars----------	106,913	73,437	-31.3
Average----------dollars----------	8,980	8,790	-2.1
Payments on principal during third quarter: 4/			
Total----------1,000 dollars----------	5/	5/	5/
Percentage of principal indebtedness beginning of quarter----------percent----------	5/	5/	5/

1/ Includes Puerto Rico.
2/ Excludes purchase-money mortgages, sales contracts, and sc on, and loans called for foreclosure.
3/ Gross number and amount of all loans closed, including new loans that replaced old loans and loans canceled prior to disbursement of loan proceeds.
4/ Consists of principal matured, special principal payments, and loans paid off prior to maturity, plus net decrease or minus net increase in principal matured and unpaid during quarter.
5/ Data available only for 6-month periods ending June 30 and December 31.

Farm Credit Administration, Accounting and Budget Division.

Table 7.- Farmers Home Administration: Direct farm-ownership loans, United States, third quarter, July 1 through September 30, 1956 and 1957 1/

Loan experience	1956	1957	Percentage change, 1956-57
			Percent
Farm mortgages owned September 30:			
Number	30,633	31,098	1.5
Principal indebtedness:			
Total----1,000 dollars	198,362	220,260	11.0
Average----dollars	6,480	7,080	9.3
Farm mortgages acquired during third quarter:			
Number	327	993	203.7
Principal indebtedness:			
Total----1,000 dollars	4,414	13,617	208.5
Average----dollars	13,500	13,710	1.6
Farm-mortgage-loan commitments: 2/			
Number	348	490	40.8
Amount----1,000 dollars	4,545	6,513	43.3
Average----dollars	13,060	13,290	1.8

Planned use of loan funds committed during quarter 2/	Third quarter 1956	Third quarter 1957
	Percent	Percent
Purchase of farm real estate	63	48
Refinancing of farm real estate mortgages held by:		
Farmers Home Administration	0	0
Others	15	35
Refinancing of other indebtedness	0	0
Repairs and improvements to land and buildings	21	17
Other known purposes	1	0
Unknown purposes	0	0
Total	100	100

1/ Continental United States only.
2/ Initial loans obligated for third quarter, 1956 and 1957.

Farmers Home Administration.

Table 8.- Life insurance companies: Farm-mortgage-loan experience, 16 companies, United States, third quarter, July 1 through September 30, 1956 and 1957

Item	1956	1957	Percentage change, 1956-57
			Percent
Farm mortgages owned September 30:			
Number	184,947	187,955	1.6
Principal indebtedness:			
Total----------1,000 dollars-----	2,159,241	2,280,234	5.6
Average----------dollars-----	11,670	12,130	3.9
Farm mortgages acquired during third quarter:			
Number	3,952	2,935	-25.7
Principal indebtedness:			
Total 1/----------1,000 dollars-----	69,705	55,142	-20.9
Average 2/----------dollars-----	15,350	16,360	6.6
Farm-mortgage-loan commitments during third quarter:			
Number 3/	5,105	4,151	-18.7
Principal indebtedness:			
Total----------1,000 dollars-----	100,478	89,745	-10.7
Average 3/----------dollars-----	18,810	19,880	5.7
Payments on principal during third quarter:			
Total----------1,000 dollars-----	40,100	36,620	-8.7
Percentage of principal indebtedness beginning of quarter------percent-----	1.9	1.6	---
Mortgages in process of foreclosure September 30:			
Number	97	98	1.0
Principal indebtedness:			
Total----------1,000 dollars-----	1,416	1,316	-7.1
Average----------dollars-----	14,600	13,430	-8.0

1/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.

2/ Based on 14-company data. Excludes 2 companies not separating principal indebtedness of mortgages acquired during quarter from increase in principal of farm mortgages already owned.

3/ 15-company data. Excludes 1 company not reporting number of loan commitments.

Table 9.- Life insurance companies: Farm-mortgage-loan experience, 16 companies, United States, January 1, 1956, through September 30, 1956, and January 1, 1957, through September 30, 1957

Item	1956	1957	Percentage change, 1956-57
			Percent
Farm mortgages owned September 30:			
Number	184,947	187,955	1.6
Principal indebtedness:			
Total----1,000 dollars-	2,159,241	2,280,234	5.6
Average----dollars-	11,670	12,130	3.9
Farm mortgages acquired during first 9 months:			
Number	17,430	13,095	-24.9
Principal indebtedness:			
Total 1/----1,000 dollars-	306,116	243,637	-20.4
Average 2/----dollars-	15,150	16,160	6.7
Farm-mortgage-loan commitments during first 9 months:			
Number 3/	20,609	14,687	-28.7
Principal indebtedness:			
Total----1,000 dollars-	387,711	295,624	-23.8
Average 3/----dollars-	17,800	18,800	5.6
Payments on principal during first 9 months:			
Total----1,000 dollars-	177,121	175,952	-.7
Percentage of principal indebtedness beginning of year----percent-	8.9	8.1	---
Mortgages in process of foreclosure September 30:			
Number	97	98	1.0
Principal indebtedness:			
Total----1,000 dollars-	1,416	1,316	-7.1
Average----dollars-	14,600	13,430	-8.0

1/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.

2/ Based on 14-company data. Excludes 2 companies not separating principal indebtedness of mortgages acquired during year from increase in principal of farm mortgages already owned.

3/ 15-company data. Excludes 1 company not reporting number of loan commitments.

Table 10.- Life insurance companies: Purposes of farm-mortgage-loan commitments for 12 selected companies, United States, October 1, 1955, through September 30, 1956, and October 1, 1956, through September 30, 1957

Item	1956	1957
	1,000 dollars	1,000 dollars
Amount of commitments	277,209	221,879
	Percent	Percent
Percentage of total funds committed for-		
Purchase of real estate	33.2	39.1
Refinancing of indebtedness:		
Farm real estate mortgages	34.1	29.5
Other indebtedness	14.3	13.5
Residual	18.4	17.9
Total all purposes	100.0	100.0

Table 11.- Federal land banks: Farm-mortgage-loan experience, United States, first 9 months, January 1 through September 30, 1956 and 1957 1/

Item	1956	1957	Percentage change, 1956-57
			Percent
Loans outstanding September 30: 2/			
Number	358,269	364,517	1.7
Principal indebtedness:			
Total---1,000 dollars	1,689,186	1,896,240	12.3
Average---dollars	4,710	5,200	10.4
Loans closed during first 9 months: 3/			
Number	44,627	34,387	-22.9
Principal indebtedness:			
Total---1,000 dollars	392,514	311,495	-20.6
Average---dollars	8,800	9,060	3.0

1/ Includes Puerto Rico.

2/ Excluding purchase-money mortgages, sales contracts, and so on, and loans called for foreclosure.

3/ Gross number and amount of all loans closed, including new loans that replaced old loans and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration, Accounting and Budget Division.